

RBC U.S. Monthly Income Fund (US\$)



Commentary as at December 31, 2023

Large-cap U.S. equity indexes performed exceptionally well in 2023, as advances in artificial intelligence led to big gains for a small number of large technology companies with a disproportionate impact on benchmark performance. Excluding these companies, returns were more muted as the U.S. economy battled major headwinds, including inflation running above central-bank targets and borrowing costs at their highest in 16 years. Index returns were driven by the seven largest members of the S&P 500, the so-called “Magnificent 7.”

U.S. fixed income generated gains during 2023 after two years of losses, as an overall decline in yields during the year drove bond prices higher. Market interest rates were influenced by the U.S. Federal Reserve’s (the “Fed”) aggressive monetary approach. Policymakers combatted historically high inflation by continuing to raise the benchmark fed funds rate, which ended the year at the highest levels since 2000. Meanwhile, the U.S. economy largely shrugged off recession fears, as a robust labour market and resilient consumer spending offset higher borrowing costs. Most of the bond gains came toward year-end on investor expectations that the Fed was done raising rates, and the Fed did signal in December that policy rates had likely peaked.

In the equity segment of the portfolio, relative exposure to Broadcom and Simon Property Group had the most positive impact on the Fund's returns, while exposure to Meta Platforms, Tesla and Johnson & Johnson were negative for performance.

The sectors that had the most positive impact on the Fund's returns were Financials and Real Estate while exposure to Health Care, Consumer Discretionary, and Communication Services had a negative impact.

The Fund had overweight positions in Philip Morris International, Elevance Health, and Johnson & Johnson and underweight positions in Tesla and Meta Platforms.

At the sector level, the Fund had overweight exposure to Health Care, Energy, and Consumer Staples and underweight exposure to Consumer Discretionary, Financials, and Information Technology.

An economic slowdown appears to be underway, with businesses and consumers feeling the drag of higher interest rates and two years of exceptionally high inflation. Global trade is contracting, businesses are scaling back investments and the frantic hiring of the past two years is on the wane, albeit gradually. The portfolio manager continues to look for a mild contraction in the first half of 2024, although pathways to an economic “soft landing” are evident and the odds of such an outcome are improving as inflation moderates.

This has been provided by RBC Global Asset Management Inc. (RBC GAM) and is for informational purposes, as of the date noted only. Discussion of any securities in this report is not a recommendation to buy or sell any specific security, and is subject to change. It is not intended to provide legal, accounting, tax, investment, financial or other advice and such information should not be relied upon for providing such advice. RBC GAM takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when provided. Past performance is no guarantee of future results. Interest rates, market conditions, tax rulings and other investment factors are subject to rapid change which may materially impact analysis that is included in this document. You should consult with your advisor before taking any action based upon the information contained in this document. All opinions constitute our judgment as of the dates indicated, are subject to change without notice and are provided in good faith without legal responsibility. Information obtained from third parties is believed to be reliable but RBC GAM and its affiliates assume no responsibility for any errors or omissions or for any loss or damage suffered. RBC GAM reserves the right at any time and without notice to change, amend or cease publication of the information.

Please consult your advisor and read the prospectus or Fund Facts document before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. Mutual fund unit values change frequently. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated. RBC Funds, RBC Private Pools, RBC Alternative Funds and PH&N Funds are offered by RBC Global Asset Management Inc. (RBC GAM) and distributed through authorized dealers in Canada.

This document may contain forward-looking statements about a fund or general economic factors which are not guarantees of future performance. Forward-looking statements involve inherent risk and uncertainties, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. All opinions in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.